

STATEMENT

BEFORE THE

HOUSE BUDGET COMMITTEE

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SECRETARY

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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Good Morning Chairman Nussle, Congressman Spratt and members of the Committee. I am honored to appear before you today to discuss the President's FY 2003 budget for the Department of Health and Human Services. I am confident that a review of the full details of our budget will demonstrate that we are proposing a balanced and responsible approach to ensuring a safe and healthy America.

The budget I present to you today fulfills the promises the President has made and proposes creative and innovative solutions for meeting the challenges that now face our nation. Since the September 11th attacks we have dedicated much of our efforts to ensuring that the nation is safe. HHS was one of the first agencies to respond to the September 11th attacks on New York City, and began deploying medical assistance and support within hours of the attacks. Our swift response and the overwhelming task of providing needed health related assistance made us even more aware that there is always room for improvement. The FY 2003 budget for the Department of Health and Human Services builds on President Bush's commitment to ensure the health and safety of our nation.

The FY 2003 budget places increased emphasis on protecting our nation's citizens and ensuring safe, reliable health care for all Americans. The HHS budget also promotes scientific research, builds on our success in welfare reform, and provides support for childhood development while delivering a responsible approach for managing HHS resources. Our budget plan confronts both the challenges of today and tomorrow while protecting and supporting the well being of all Americans.

Mr. Chairman, the total HHS request for FY 2003 is \$488.8 billion in outlays. This is an increase of \$29.2 billion, or 6.3 percent over the comparable FY 2002 budget. The discretionary component of the HHS budget totals \$64.0 billion in budget authority, an increase of \$2.4 billion, or 3.9 percent. Let me now discuss some of the highlights of the HHS budget and how we hope to achieve our goals.

PROTECTING THE NATION AGAINST BIOTERRORISM

Mr. Chairman, as you know, the Department of Health and Human Services is the lead federal agency in countering bioterrorism. In cooperation with the States, we are responsible for preparing for, and responding to, the medical and public health needs of this nation. The FY 2003 budget for HHS bioterrorism efforts is \$4.3 billion, an increase of \$1.3 billion, or 45 percent, above FY 2002. This budget supports a variety of activities to prevent, identify, and respond to incidents of bioterrorism. These activities are administered through the Centers for Disease Control and Prevention (CDC), the National Institutes of Health (NIH), the Office of Emergency Preparedness (OEP), the Substance Abuse and Mental Health Services Administration (SAMHSA), the Health Resources and Services Administration (HRSA) and the Food and Drug Administration (FDA). The efforts of this agency will be directed by the newly established Office of Public Health Preparedness (OPHP).

In order to create a blanket of preparedness against bioterrorism, the FY 2003 budget provides funding to State and local organizations to improve laboratory capacity, enhance epidemiological expertise in the identification and control of diseases caused by bioterrorism, provide for better

electronic communication and distance learning, and support a newly expanded focus on cooperative training between public health agencies and local hospitals.

Funding for the Laboratory Response Network enhances a system of over 80 public health labs specifically developed for identifying pathogens that could be used for bioterrorism. Funding will also support the Health Alert Network, CDC's electronic communications system that will link local public health departments in covering at least ninety percent of our nations' population. Funding will be used to support epidemiological response and outbreak control, which includes funding for the training of public health and hospital staff. This increased focus on local and state preparedness serves to provide funding where it best serves the interests of the nation.

An important part on the war against terrorism is the need to develop vaccines and maintain a National Pharmaceutical Stockpile. The National Pharmaceutical Stockpile is purchasing enough antibiotics to be able to treat up to 20 million individuals in a year for exposure to anthrax and other agents. The Department is purchasing sufficient smallpox vaccines for all Americans. The FY 2003 budget proposes \$650 million for the National Pharmaceutical Stockpile and costs related to stockpiling of smallpox vaccines, and next-generation anthrax vaccines currently under development.

Another important aspect of preparedness is the response capacity of our nations hospitals. Our FY 2003 budget provides \$518 million for hospital preparedness and infrastructure to enhance biological and chemical preparedness plans focused on hospitals. The FY 2003 budget will

provide funding to upgrade the capacity of hospitals, outpatient facilities, emergency medical services systems and poison control centers to care for victims of bioterrorism. In addition, CDC will provide support for a series of exercises to train public health and hospital workers to work together to treat and control bioterrorist outbreaks.

Today, the United States has one of the world's safest food supplies. However, since the September 11 attacks, the American people have a heightened awareness about protecting the nation's food imports and food supply at home. The FY 2003 budget supports a substantial increase in the number of safety inspections for FDA-regulated products that are imported into the country. Physical examinations of food imports will double in FY 2002 over the previous year, and double again in FY 2003. We anticipate further progress as new staff become fully productive.

The FY 2003 budget also includes \$184 million to construct, repair and secure facilities at the CDC. Priorities include the construction of an infectious disease/bioterrorism laboratory in Fort Collins, Colorado, and the completion of a second infectious disease laboratory, an environmental laboratory, and a communication and training facility in Atlanta. This funding will enable the CDC to handle the most highly infectious and lethal pathogens, including potential agents of bioterrorism. Within the funds requested, \$12 million will be used to equip the Environmental Toxicology Lab, which provides core lab space for testing environmental samples for chemical terrorism. Funding will also be allocated to the ongoing maintenance of existing laboratories and support structures.

INVESTING IN BIOMEDICAL RESEARCH

Advances in scientific knowledge have provided the foundation for improvements in public health and have led to enhanced health and quality of life for all Americans. Much of this can be attributed to the groundbreaking work carried on by, and funded by, the National Institutes of Health (NIH). Our FY 2003 budget enhances support for a wide array of scientific research, while emphasizing and supporting research needed for the war against bioterrorism.

NIH is the largest and most distinguished biomedical research organization in the world. The research that is conducted and supported by the NIH offers the promise of breakthroughs in preventing and treating a number of diseases and contributes to fighting the war against bioterrorism. The FY 2003 budget includes the final installment of \$3.7 billion needed to achieve the doubling of the NIH budget. The budget includes \$1.7 billion for bioterrorism research, including genomic sequencing of dangerous pathogens, development of zebra chip technology, development and procurement of an improved anthrax vaccine, and laboratory and research facilities construction and upgrades related to bioterrorism. With the commitment to bioterrorism research comes our expectation of substantial positive spin-offs for other diseases. Advancing knowledge in the arena of diagnostics, therapeutics and vaccines in general should have enormous impact on the ability to diagnose, treat, and prevent major killers-diseases such as malaria, TB, HIV/AIDS, West Nile fever, and influenza.

The FY 2003 budget also provides \$5.5 billion for research on cancer throughout all of NIH. Currently, one of every two men and one of every three women in the United States will develop

some type of cancer over the course of their lives. New research indicates that cancer is actually more than 200 diseases, all of which require different treatment protocols. Promising cancer research is leading to major breakthroughs in treating and curing various forms of cancer. Our budget continues to expand support for these research endeavors.

BUILDING UPON THE SUCCESSES OF WELFARE REFORM

President Bush has said that American families are the bedrock of American society and the primary source of strength and health for both individuals and communities. Our budget includes a number of new initiatives that support this principle by targeting resources to strengthen our nation's families. We look forward to working with Congress in considering the next phase of welfare reform and other elements of the President's proposals to help America's low-income families succeed.

Temporary Assistance for Needy Families

As a former governor, I can tell you that the Temporary Assistance for Needy Families program - or TANF - has been a truly remarkable example of a successful Federal-State partnership. States were given tremendous flexibility to reform their welfare programs and as a result, millions of families have been able to end their dependency on welfare and achieve self-sufficiency.

Since 1996, welfare dependency has plummeted. As of September of 2001, the number of families receiving assistance, which represents the welfare caseload, was 2,103,000 and the number of individuals receiving assistance was 5,343,000. This means the welfare caseload and the number of individuals receiving cash assistance declined 52 percent and 56 percent, respectively, since the enactment of TANF. Between January and September of last year national caseloads actually declined about 2 percent, and while the July to September statistics indicate a slight increase, the figures are still well below the previous year's caseload levels. The general trend suggests the national caseloads are not rising but, instead, have stabilized.

In New York City, where we are understandably most concerned about job opportunities, the City has achieved more than 53,000 job placements for welfare recipients from September through December 2001. While the number of TANF recipients increased briefly directly because of the tragedy on September 11, by December there were about 15,000 fewer TANF recipients on the rolls than there were in August. Indeed, in December the City had its lowest number of persons on welfare since 1965.

Some other positive outcomes we have seen since the law's passage include:

- Employment among single mothers has grown to unprecedented levels.
- Child poverty rates are at their lowest level since 1978. Overall child poverty rates declined from 20.5 percent in 1996 to 16.2 percent in 2000. The poverty rate among African American children declined from 39.9 percent to 30.9 percent - the lowest level on record. The poverty rate among Hispanic children declined from 40.3 percent to 28.0 percent - the largest four-year drop on record.

- The rate of births to unwed mothers has not increased.

But even with this notable progress, much remains to be done, and States still face many challenges. Last year, I held eight listening sessions throughout the country to discuss the state of their TANF systems and understand the new challenges they are facing. The States overwhelmingly support this program. While keeping the basic structure and purpose of the program, States, administrators, recipients, employers, and advocates have provided valuable insight into where we could make the program even more responsive to the needs of families.

Our reauthorization proposal embraces the needs of families by maintaining the program's overall funding and basic structure, while focusing increased efforts on building stronger families through work and job advancement and adding child well-being as an overarching goal of TANF.

Our budget proposes \$16.5 billion each year for block grants to States and Tribes; \$319 million a year to restore supplemental grants; \$2 billion over five years for a more accessible Contingency Fund; and a \$100 million a year initiative for research, demonstration and technical assistance primarily to promote child well-being through strengthening family formation and healthy marriages. In addition, our proposal will call for modification of the bonus for high performance to reward significant achievement in promoting employment of program participants.

We maintain State flexibility, but include important changes to improve the effectiveness of the program. We will also expect States to engage all families they serve and help them make

progress toward their highest degree of self-sufficiency – even those cases that may appear hard to employ. We will eliminate the separate two-parent work participation rates and give States more flexibility in designing productive self-sufficiency activities while ensuring that the participation rate requirements are meaningful. We will also ask States to set performance goals for their TANF programs and report on their progress toward meeting these goals.

I look forward to working with Congress on reauthorization of this hallmark program. I am confident that together we will witness even greater achievements under the TANF program.

Other Programs Supporting TANF Goals

The President's Budget also includes funding for several other programs at the State and community level that work to support the goals of TANF. The Job Opportunities for Low-Income Individuals program (JOLI) provides grants to non-profit organizations to create new employment and business opportunities for TANF recipients and other low-income individuals. Our budget provides \$5.5 million to continue this valuable program. The Individual Development Account (IDA) demonstration program similarly seeks to increase the economic self-sufficiency of low-income families by testing policies that promote savings for post-secondary education, home ownership, and micro-enterprise development. The President's Budget calls for \$25 million to support IDAs. More broadly, the Social Services Block Grant (SSBG) provides a flexible source of funding for States to help families achieve or maintain self-sufficiency and provide an array of social services to vulnerable families. The President's Budget request for SSBG is \$1.7 billion.

The President's Budget extends the Transitional Medical Assistance (TMA) program which provides valuable health protection for former welfare recipients after they enter the workforce. This important program allows families to remain eligible for Medicaid for up to 12 months after they are no longer eligible for welfare because of earnings from their new job. TMA is an important stepping stone in helping workers and their families successfully transfer from welfare to work without fear of losing vital health coverage.

Child Care

Child Care has played an important role in the success of welfare reform by providing parents the support they need to work. The President's Budget recognizes this critical link and maintains a high level of commitment to childcare. Continuing the substantial increase in funding that Congress has provided over the last several years, the President's Budget includes a total of \$4.8 billion in childcare funding in conjunction with our request to reauthorize the mandatory and discretionary funding provided under the Child Care and Development Block Grant and the Child Care Entitlement. States will also continue to have significant flexibility under the TANF program and under the Social Services Block Grant program to address the needs of their low-income working families. These additional funding opportunities have substantially increased the amount of resources dedicated to child care needs. For example, in FY 2000 States transferred \$2.3 billion in TANF funds to the Child Care and Development Block Grant.

Child Support Enforcement

The Child Support Enforcement program offers another vital connection to families' ability to achieve self-sufficiency and financial stability. The President's Budget proposes to increase child support collections and direct more of the support collected to families transitioning from welfare. Under our proposal, the Federal government would share in the cost of expanded State efforts to pass through child support collections to families receiving TANF. Pass through payments enhance a family's potential for achieving self-sufficiency while also creating incentives for non-custodial parents to pay support and custodial parents to cooperate in securing support. Similarly, States would be given the option to adopt simplified distribution rules that ease State administration but, more importantly, benefit families that have transitioned from welfare by directing support otherwise retained by the State and Federal governments to these families.

Overall collections would be increased by expanding our successful program for denying passports to parents owing \$2,500 in past-due support, requiring States to update support awards in TANF cases every three years, and authorizing States to offset certain Social Security Administration payments when they determine such action would be appropriate to collect unpaid support. Our child support legislative package would also impose a minimal annual processing fee in any case where the State has been successful in collecting support on behalf of a family that has never received assistance.

Strengthening Families

The FY 2003 budget contains funds for four competitive grant programs, targeted at community and faith based organizations, to assist in delivering innovative services, to strengthen families and help change lives. The Compassion Capital Fund, at \$100 million, will expand the capacity of groups and organizations willing to step up and help provide these critical social services. \$20 million is included to promote responsible fatherhood by providing competitive grants to organizations that work to strengthen the role that fathers play in their children's and family's lives. The budget also supports \$25 million in new authority for the mentoring children of prisoners initiative first proposed last year. Finally, young pregnant mothers and their children will be provided safe environments through the \$10 million included for Maternity Group Homes.

Promoting Safe and Stable Families

The President's Budget would increase the funding level for this program to \$505 million, fully supporting the increased authorization included in the new law. These funds will be used to help promote and support adoption so that children can become part of a safe and stable family, as well as for increased preventive efforts to help families in crisis.

This landmark legislation also authorized a new program to provide vouchers to youth who are aging out of foster care so that they can obtain the education and training they need to lead productive lives. The President's Budget includes \$60 million for these vouchers, bringing the total request for the Foster Care Independence Program to \$200 million.

Child Welfare/Foster Care/Adoption

Our budget framework includes resources for a number of additional programs targeted to protecting our most vulnerable and at-risk children. Foster Care, Adoption Assistance, Adoption Incentives and Child Welfare Services are designed to enhance the capacity of families to raise children in a nurturing, safe environment. The President's Budget provides resources to help States provide safe and appropriate care for children who need placement outside their homes, and to provide funds to States to assist in providing financial and medical assistance for adopted children with special needs who cannot be reunited with their families, and to reward States for increasing their number of adoptions. At the same time, the budget also supports Child Welfare Services programs with the goal of keeping families together when possible and in the best interest of the child.

The budget provides nearly \$4.9 billion for Foster Care, \$1.6 billion for Adoption Assistance, and \$43 million in Adoption Incentive funds. In addition, the President's Budget seeks almost \$300 million in funding for child welfare services and training. Together, these funds will support improvement in the healthy development, safety, and well being of the children and youth in our nation.

Abstinence Education

The President's Budget proposes to reauthorize \$50 million in mandatory funding for abstinence education grants to States. These resources complement the proposed \$73 million in abstinence

education grants to community-based organizations and Adolescent Family Life's CARE grants (\$12 million). Both grant programs will continue to support the message, through mentoring, counseling and adult supervision, that abstinence from sexual activity is the only sure way for teens to avoid out-of-wedlock pregnancies and sexually transmitted diseases.

Repatriation

Finally, our commitment to supporting America's families does not stop at our borders. The President's Budget seeks \$1 million in funding for the Repatriation program to assist U.S. citizens and their dependents returning from foreign countries under extreme circumstances.

INCREASING ACCESS TO HEALTHCARE

The issues that have confronted the nation in the past six months will have far reaching effects. Of all the issues confronting this Department, none has a more direct effect on the well-being of our citizens than the quality and accessibility of health care. Our budget proposes to improve the health of the American people by taking important steps to increase and expand the number of Community Health Centers, strengthen Medicaid, and ensure patient safety.

Community Health Centers provide family oriented preventive and primary health care to over 11 million patients through a network of over 3,400 health sites. The FY 2003 budget will increase and expand the number of health center sites by 170, the second year of the President's initiative is to increase and expand sites by 1,200 and serve an additional 6.1 million patients by

2006. We propose to increase funding for these Community Health Centers by \$114 million in FY 2003. Our long-term goal is to increase the number of people who receive high quality primary healthcare regardless of their ability to pay. With these new health centers we hope to achieve this goal.

The Medicaid program and the State Children's Health Insurance Program (SCHIP) provide health care benefits to low-income Americans, primarily children, pregnant women, the elderly, and those with disabilities. The FY 2003 budget we propose strengthens the Medicaid and SCHIP programs by implementing essential reforms, such as the extension of expiring SCHIP funds.

As a first step, we propose to develop legislative proposals that build on the Health Insurance Flexibility and Accountability (HIFA) demonstration initiative, which would give states the flexibility they need to design innovative ways of increasing access to health insurance coverage for the uninsured. In addition to HIFA, the Administration's plan would allow those who receive the President's health care tax credit to increase their purchasing power by purchasing insurance from plans that already participate in their State's Medicaid, Children's Health Insurance, or State employees' programs. This could help keep costs down and provide a more comprehensive benefit than plans in the individual market.

We also need to make an effort to narrow the drug treatment gap. As reflected in the National Drug Control Strategy, Substance Abuse and Mental Health Services Administration estimates that 4.7 million people are in need of drug abuse treatment services. However, fewer than half of

those who need treatment actually receive services, leaving a treatment gap of 3.9 million individuals. Our budget supports the President's Drug Treatment initiative, and to narrow the treatment gap. We propose to increase funding for the initiative by \$127 million. These additional funds will allow States and local communities to provide treatment services to approximately 546,000 individuals, an increase of 52,000 over FY 2002.

STRENGTHENING MEDICARE

The FY 2003 budget dedicates \$190 billion over ten years for immediate targeted improvements and comprehensive Medicare modernization, including a subsidized prescription drug benefit, better insurance protection, and better private options for all beneficiaries. Last year, President Bush proposed a framework for modernizing and improving the Medicare program that built on many of the ideas that had been developed in this Committee and by other Members of Congress. That framework includes the principles that:

- All seniors should have the option of a subsidized prescription drug benefit as part of modernized Medicare.
- Modernized Medicare should provide better coverage for preventive care and serious illness.
- Today's beneficiaries and those approaching retirement should have the option of keeping the traditional plan with no changes.
- Medicare should make available better health insurance options, like those available to all Federal employees.
- Medicare legislation should strengthen the program's long-term financial security.

- The management of the government Medicare plan should be strengthened to improve care for seniors.
- Medicare's regulations and administrative procedures should be updated and streamlined, while instances of fraud and abuse should be reduced
- Medicare should encourage high-quality health care for all seniors.

The improvements the President and I have proposed include not only a subsidized drug benefit as part of modernized Medicare, but also better coverage for preventive care and serious illness. Thus, we propose that preventive benefits have zero co-insurance and be excluded from the Part B deductible. We must make these improvements to more effectively address the health needs of seniors today and for the future.

Let me assure you, the President remains committed to the framework he introduced last summer, and to bringing the Medicare program up to date by providing prescription drug coverage and other improvements. We cannot wait: it is time to act. Recognizing that there is no time to waste, the President's Budget also includes a series of targeted immediate improvements to Medicare.

As you know, last year the President proposed the creation of a new Medicare-endorsed prescription drug card program to reduce the cost of prescription drugs for seniors. This year, HHS will continue its work on a drug card program, which will give beneficiaries immediate savings on the cost of their medicines and access to other valuable pharmacy services. The President is absolutely committed to providing immediate assistance to seniors who currently

have to pay full price for prescription drugs.

Assistance, however, will not come only through the prescription drug card program. The budget proposes several new initiatives to improve Medicare's benefits and address cost. This budget proposes additional federal assistance for comprehensive drug coverage to low-income Medicare beneficiaries up to 150% of poverty – about \$17,000 for a family of two. This policy would eventually expand drug coverage for up to 3 million beneficiaries who currently do not have prescription drug assistance, and it will be integrated with the Medicare drug benefit that is offered to all seniors once that benefit is in place. This policy helps to establish the framework necessary for a Medicare prescription drug benefit and is essentially a provision that is in all of the major drug benefit proposals to be debated before Congress. That is, the policy provides new Federal support for comprehensive prescription drug coverage for low-income seniors up to 150 percent of poverty. And in all the proposals, the Federal government would work with the States to provide this coverage, just as we are proposing with this policy.

Recently, I announced a model drug waiver program—Pharmacy Plus—to allow States to reduce drug expenditures and expand drug only coverage to seniors and certain individuals with disabilities with family incomes up to 200 percent of the federal poverty level. This program is being done administratively. The recently approved Illinois initiative illustrates how states can expand coverage to Medicare beneficiaries in partnership with the federal government. The Illinois program will give an estimated 368,000 low-income seniors drug coverage. The model application I have announced is easy to understand and use, and the Centers for Medicare and Medicaid Services is working with numerous States—at least 12—that have already expressed

interest in this program. Making it easier for States to take similar steps to help their citizens who need help the most is the goal I believe we all share.

The President's Budget also includes an increase in funding to stabilize and increase choice in the Medicare+Choice program by aligning payment rates more closely with overall Medicare spending and paying incentives for new types of plans to participate. Over 500,000 seniors lost coverage last year because Medicare+Choice plans left the program. Today over 5 million seniors choose to receive quality health care through the Medicare+Choice program. Because it provides access to drug coverage and other innovative benefits, it is an option many seniors like, and an option we must preserve. The President's Budget also proposes the addition of two new Medigap plans to the existing 10 plans. These new plans will include prescription drug assistance and protect seniors from high out-of-pocket costs.

Some of these initiatives give immediate and tangible help to seniors. But, let me make clear: these are not substitutes for comprehensive reform and a universal drug benefit in Medicare. They are immediate steps we want to take to improve the program in conjunction with comprehensive reform, so that beneficiaries will not have to wait to begin to see benefit improvements. I want to pledge today to work with each and every member of this Committee to fulfill our promise of health care security for America's seniors- now and in the future.

This budget proposes a \$1.50 charge for submitting paper or duplicate claims as an incentive for providers to submit electronic claims one time only. These proposals will help reduce claims processing costs and ultimately speed up payment of claims. I recognize that a few health care

providers in disadvantaged circumstances may have to submit a paper claim. This proposal will allow me to waive this requirement for providers in rural areas or those providers whose special circumstances make it difficult to comply with submission requirements. Together, these fees generate \$130 million in FY 2003. The Paper claims fee is expected to produce \$70 million in FY 2003. In future years, we expect the amount of the fee collected to decrease as more providers submit electronic claims. The Duplicate and unprocessable claims fee is expected to produce \$60 million in FY 2003. The effective date for each proposal is March 1, 2003 to allow time for CMS to modify systems to incorporate this change. Each proposal amount represents 7 months of fee collections.

SUPPORTING HEALTHY COMMUNITIES

The FY 2003 budget includes \$20 million for a Healthy Communities Innovation Initiative - a new interdisciplinary services effort that will concentrate Department-wide expertise on the prevention of diabetes and asthma, as well as obesity. The purpose of the initiative is to reduce the incidence of these diseases and improve services in 5 communities through a tightly coordinated public/private partnership between medical, social, educational, business, civic and religious organizations. These chronic diseases were chosen because of their rapidly increasing prevalence within the United States. In addition there is \$5 million for related activities in CDC.

More than 16 million Americans currently suffer from a preventable form of diabetes. Type II diabetes is increasingly prevalent in our children due to the lack of activity. In a recent study conducted by NIH, participants that were randomly assigned to intensive lifestyle intervention

experienced a reduced risk of getting Type II diabetes by 58 percent. HHS plans to reach out to women and minorities to help make this initiative a success.

IMPROVING MANAGEMENT AND PERFORMANCE OF HHS PROGRAMS

I am committed to being proactive in preparing the nation for potential threats of bioterrorism and supporting research that will enable Americans to live healthier and safer lives. And, I am excited about beginning the next phase of Welfare reform and strengthening our Medicare and Medicaid programs. Ensuring that HHS resources are managed properly and effectively is also a challenge I take very seriously.

For any organization to succeed, it must never stop asking how it can do things better, and I am committed to supporting the President's vision for a government that is citizen-centered, results oriented, and actively promotes innovation through competition. HHS is committed to improving management within the Department and has established its own vision of a unified HHS -- One Department free of unnecessary layers, collectively strong to serve the American people. The FY 2003 budget supports the President's Management Agenda.

The Department will improve program performance and service delivery to our citizens by more strategically managing its human capital and ensuring that resources are directed to national priorities. HHS will reduce duplication of effort by consolidating administrative management functions and eliminating management layers to speed decision-making. The Department plans to reduce the number of personnel offices from 40 to 4; centralize the public affairs and

legislative affairs functions; and consolidate construction funding, leasing, and other facilities management activities. These management efficiencies will result in an estimated savings of 700 full time equivalent positions, allowing the Department to redeploy staff and other resources to line programs.

HHS continues to be at the forefront of the Government-wide effort to integrate budget and performance. We were one of the first Departments to add tables to its GPRA Annual Performance Reports that provide summary tables that associate resource dollars and performance measures HHS-wide. Although we work in a challenging environment where health outcomes may not be apparent for several years, and the Federal dollar may be just one input to complex programs, HHS is committed to demonstrating to citizens the value they receive for the tax dollars they pay.

By expanding our information technology and by establishing a single corporate Information Technology Enterprise system, HHS can build a strong foundation to re-engineer the way we do business and can provide better government services at reduced costs. By consolidating and modernizing existing financial management systems our Unified Financial Management System (UFMS) will provide a consistent, standardized system for departmental accounting and financial management. This "One Department" approach to financial management and information technology emphasizes the use of resources on an enterprise basis with a common infrastructure, thereby reducing errors and enhancing accountability. The use of cost accounting will aid in the evaluation of HHS program effectiveness, and the impacts of funding level changes on our programs.

HHS is also committed to providing the highest possible standard of services and will use competitive sourcing as a management tool to study the efficiency and performance of our programs, while minimizing costs overall. The program will be linked to performance reviews to identify those programs and program components where outsourcing can have the greatest impact. Further, the incorporation of performance-based contracting will improve efficiency and performance at a savings to the taxpayer.

GOVERNMENT PERFORMANCE AND RESULTS ACT

HHS is committed to continual improvement in the performance and management of its programs and the Administration's efforts to provide results-oriented, citizen-centered government. The budget request for FY 2003 is accompanied by annual performance plans and reports required by the Government Performance and Results Act (GPRA). The performance measures cover the wide range of program activities essential to carrying out the HHS mission. Some notable FY 2001 achievements include:

- Reducing Erroneous Medicare Payments: CMS has continued to reduce the payment error rate from 14 percent in FY 1996 to 8 percent in FY 1999, 6.8 percent in FY 2000, and 6.3% in FY 2001. CMS, with the assistance of the Office of the Inspector General, is committed to further reducing the error rate to 5 percent by FY 2002.

- _ Moving Families Toward Self-sufficiency: ACF reported that 42.9 percent of adult recipients of TANF were employed by FY 1999. This is a primary indicator of success in moving families toward self-sufficiency. It improves on the FY 1998 baseline of 38.7 percent and exceeds the target of 42 percent.

- _ Families Benefiting from Child Support Enforcement: The Child Support Enforcement program broke new records nationwide in FY 2001 by collecting \$18.9 billion, one billion over FY 2000 levels. In one such initiative in FY 2000, the government collected a record \$1.4 billion in overdue child support from Federal income tax refunds, and more than 1.42 million families benefited from these collections.

These are just a few of the dozens of impressive success stories found in the 13 performance plans and reports. GPRA has been and will continue to be an important part of our effort to improve the management and performance of our programs.

WORKING TOGETHER TO ENSURE A SAFE AND HEALTHY AMERICA

Mr. Chairman, the budget I bring before you today contains many different elements of a single proposal; what binds these fundamental elements together is the desire to improve the lives of the American people. All of our proposals, from building upon the successes of welfare reform, to protecting the nation against bioterrorism; from increasing access to healthcare, to strengthening Medicare, are put forward with the simple goal of ensuring a safe and healthy America. I know this is a goal we all share, and with your support, we are committed to achieving it.